

**NEWELL-FONDA  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2009

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NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

Board of Education

(Before September 2008 Election)

|                  |                |      |
|------------------|----------------|------|
| Roger Sarchet    | President      | 2008 |
| Greg Baskerville | Vice President | 2011 |
| Lyle Rossiter    |                | 2009 |
| Geoff Smith      |                | 2011 |
| Kyle Scheidegger |                | 2011 |

(After September 2008 Election)

|                  |                |      |
|------------------|----------------|------|
| Roger Sarchet    | President      | 2011 |
| Greg Baskerville | Vice President | 2009 |
| Lyle Rossiter    |                | 2009 |
| Geoff Smith      |                | 2011 |
| Kyle Scheidegger |                | 2011 |

School Officials

|                |                                  |
|----------------|----------------------------------|
| Jeff Dicks     | Superintendent                   |
| Marcia Johnson | District Secretary/<br>Treasurer |

# BRUCE D. FRINK

Certified Public Accountant

## Independent Auditor's Report

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Newell-Fonda Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Newell-Fonda Community School District, Newell, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Newell-Fonda Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2010 on our consideration of Newell-Fonda Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 13 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newell-Fonda Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Bruce D. Frink". The signature is written in a cursive, flowing style.

**BRUCE D. FRINK**  
**Certified Public Accountant**

March 18, 2010

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Newell-Fonda Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### 2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,941,983 in fiscal year 2008 to \$4,088,362 in fiscal year 2009. Expenditures increased from \$3,719,195 in fiscal year 2008 to \$3,869,958 in fiscal year 2009.
- The increase in revenues was due in part to an increase in General Fund District tax rates from 10.36355% in fiscal year 2008 to 11.06247% in fiscal year 2009, an increase of .7%. This increase generated almost \$208,000 in additional general fund property tax revenue for the District. In addition, fiscal year 2009 was the first year our District had the Cash Reserve Levy and the Instructional Support Levy. Income surtaxes from the Instructional Support Levy brought in over \$112,000 in fiscal year 2009. However, the budget enrollment decreased significantly from fiscal year 2008, affecting revenues in a negative way.
- Expenditures increased, due largely to increased costs for salaries and benefits. This was a result of staff changes and increased roles for technology personnel, as well as the preschool being a part of the school district for the first time.
- The Management Fund revenues decreased from \$120,993 in fiscal year 2008 to \$88,474 in fiscal year 2009. Management expenditures also decreased from \$109,948 in fiscal year 2008 to \$98,222 in fiscal year 2009. A decrease in property tax rates accounted for the decrease in revenue. On the expenditures side, early retirement costs were decreased, as well as the cost of property and liability insurance.
- Local Option Sales Tax revenues decreased from \$314,694 in fiscal year 2008 to \$302,761 in fiscal year 2009. Actual SILO expenditures increased dramatically from \$2,563 in fiscal year 2008 to \$67,160 in fiscal year 2009. The slight decrease in revenue was mainly due to lower interest income. The increase in expenditures was due to construction project architectural and engineering services paid in fiscal year 2009. The 1:1 laptop lease payments were run through the capital projects fund, but these payments were reported in the debt services fund, and therefore are not included in the total SILO expenditures.
- PPEL revenues decreased from \$70,507 in fiscal year 2008 to \$63,027 in fiscal year 2009. Expenditures increased from \$135,704 in fiscal year 2008 to \$169,089 in fiscal year 2009. Revenues were down mainly due to a decrease in interest income. Expenditures increased mostly due to the purchase of a vehicle in fiscal year 2009, as well as minor construction costs that began in fiscal year 2009.
- The Nutrition Fund revenues increased, with revenues of \$183,437 in fiscal year 2008 to \$204,200 in fiscal year 2009. Expenditures increased from \$191,320 in fiscal year 2008 to \$212,882 in fiscal year 2009, largely due to increased costs for groceries and supplies.
- Activity Fund receipts decreased from \$201,016 in fiscal year 2008 to \$187,935 in fiscal year 2009. Expenditures also decreased from \$193,458 in fiscal year 2008 to \$182,426 in fiscal year 2009.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Newell-Fonda Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Newell-Fonda Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Newell-Fonda Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the Student Activity and fiduciary funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Newell-Fonda Community School District Annual Financial Report***

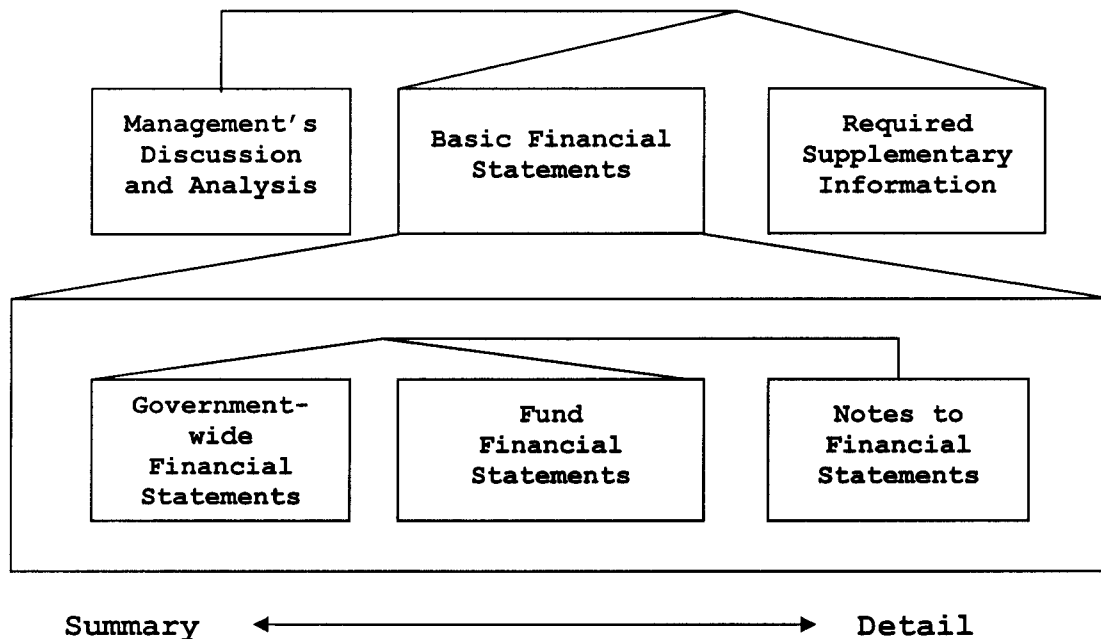


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

| <b>Figure A-2</b><br><b>Major Features of the Government-wide and Fund Financial Statements</b> |  |  |  |   |
|---|--|--|--|---|
|   | Government-wide Statements   | Fund Financial Statements  |  |   |
|   |  | Governmental Funds   | Proprietary Funds  | Fiduciary Funds   |
| Scope   | Entire District (except fiduciary funds)   | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance   | Activity the District operates similar to private businesses: food services  | Instances in which the district administers resources on behalf of someone else, such as scholarship programs                                 |
| Required financial statements   | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>   | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul> |
| Accounting basis and measurement focus  | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus  | Accrual accounting and economic resources focus   |
| Type of asset/liability information   | All assets and liabilities, both financial and capital, short-term and long-term                               | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included   | All assets and liabilities, both financial and capital, short-term and long-term   | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can                   |
| Type of inflow/outflow information  | All revenues and expenses during year, regardless of when cash is received or paid                             | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid   | All additions and deductions during the year, regardless of when cash is received or paid   |



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to treat all funds as "major" funds for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to June 30, 2008.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

|  | Governmental<br>Activities |              | Business type<br>Activities |           | Total<br>District |              | Total<br>Change |
|--|----------------------------|--------------|-----------------------------|-----------|-------------------|--------------|-----------------|
|  | June 30,                   |              | June 30,                    |           | June 30,          |              | June 30,        |
|  | 2009                       | 2008         | 2009                        | 2008      | 2009              | 2008         | 2008-2009       |
| Current assets                                     | \$ 4,687                   | 3,935        | 43                          | 52        | 4,730             | 3,987        | 18.64%          |
| Capital assets                                     | 496                        | 573          | 3                           | 3         | 499               | 576          | -13.37%         |
| <b>Total assets</b>                                | <u>5,183</u>               | <u>4,508</u> | <u>46</u>                   | <u>55</u> | <u>5,229</u>      | <u>4,563</u> | <u>14.60%</u>   |
| Current liabilities                                | 2,156                      | 1,698        | -                           | -         | 2,156             | 1,698        | 26.97%          |
| Non-current liabilities                            | 184                        | 224          | -                           | -         | 184               | 224          | 0.00%           |
| <b>Total liabilities</b>                           | <u>2,340</u>               | <u>1,922</u> | <u>-</u>                    | <u>-</u>  | <u>2,340</u>      | <u>1,922</u> | <u>21.75%</u>   |
| <b>Net Assets</b>                                  |                            |              |                             |           |                   |              |                 |
| Invested in capital assets,<br>net of related debt | 344                        | 573          | 3                           | 3         | 347               | 576          | -39.76%         |
| Restricted   | 1,535                      | 1,471        | -                           | -         | 1,535             | 1,471        | 4.35%           |
| Unrestricted                                       | 964                        | 542          | 43                          | 52        | 1,007             | 594          | 69.53%          |
| <b>Total net assets</b>                            | <u>\$ 2,843</u>            | <u>2,586</u> | <u>46</u>                   | <u>55</u> | <u>2,889</u>      | <u>2,641</u> | <u>9.39%</u>    |

The District's combined net assets increased 9%, or approximately \$248,000 from the prior year. This increase was due to increases in the General and Capital Projects Funds.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased by 70%. This increase in unrestricted net assets was a result of increased General Fund property tax revenues.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

| Figure A-4  |        |                          |      |                       |       |              |         |
|---|--------|--------------------------|------|-----------------------|-------|--------------|---------|
| Changes in Net Assets                                   |        |                          |      |                       |       |              |         |
| (Expressed in Thousands)                                |        |                          |      |                       |       |              |         |
| Governmental Activities                                 |        | Business type Activities |      | Total School District |       | Total Change |         |
| 2009  | 2008   | 2008                     | 2009 | 2009                  | 2008  | 2008-2009    |         |
| Revenues:   |        |                          |      |                       |       |              |         |
| Program revenues:                                       |        |                          |      |                       |       |              |         |
| Charges for service and sales                           | \$ 121 | 107                      | 100  | 100                   | 221   | 207          | 6.76%   |
| Operating grants, contributions and restricted interest | 913    | 930                      | 104  | 90                    | 1,017 | 1,020        | -0.29%  |
| General revenues:                                       |        |                          |      |                       |       |              |         |
| Property tax  | 1,661  | 1,475                    | -    | -                     | 1,661 | 1,475        | 12.61%  |
| Income surtax   | 128    | 84                       | -    | -                     | 128   | 84           | 100.00% |
| Statewide sales and service tax                         | 274    | 274                      | -    | -                     | 274   | 274          | 0.00%   |
| Unrestricted state grants                               | 1,551  | 1,779                    | -    | -                     | 1,551 | 1,779        | -12.82% |
| Unrestricted investment earnings                        | 23     | 30                       | -    | -                     | 23    | 30           | -23.33% |
| Other   | 75     | 54                       | -    | -                     | 75    | 54           | 38.89%  |
| Total revenues  | 4,746  | 4,733                    | 204  | 190                   | 4,950 | 4,923        | 0.55%   |
| Program expenses:                                       |        |                          |      |                       |       |              |         |
| Governmental activities:                                |        |                          |      |                       |       |              |         |
| Instruction   | 2,836  | 2,690                    | -    | -                     | 2,836 | 2,690        | 5.43%   |
| Support services  | 1,279  | 1,276                    | -    | -                     | 1,279 | 1,276        | 0.24%   |
| Non-instructional programs                              | -      | -                        | 213  | 177                   | 213   | 177          | 20.34%  |
| Other expenses  | 373    | 206                      | -    | -                     | 373   | 206          | 81.07%  |
| Total expenses  | 4,488  | 4,172                    | 213  | 177                   | 4,701 | 4,349        | 8.09%   |
| Change in net assets                                    | \$ 258 | 561                      | (9)  | 13                    | 249   | 574          | 43.38%  |

Property tax and unrestricted state grants account for 65% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 88% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$4,745,768 and expenses were \$4,487,950 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

| <b>Figure A-5</b><br><b>Total and Net Cost of Governmental Activities</b><br><b>(Expressed in Thousands)</b> |                        |              |                     |                      |              |                     |
|--|------------------------|--------------|---------------------|----------------------|--------------|---------------------|
|  | Total Cost of Services |              |                     | Net Cost of Services |              |                     |
|  | 2009                   | 2008         | Change<br>2008-2009 | 2009                 | 2008         | Change<br>2008-2009 |
| Instruction  | \$ 2,836               | 2,690        | 5.43%               | 2,023                | 1,903        | 6.31%               |
| Support services   | 1,279                  | 1,276        | 0.24%               | 1,249                | 1,227        | 1.79%               |
| Other expenses   | 373                    | 206          | 81.07%              | 182                  | 5            | 3540.00%            |
| Totals   | <u>\$ 4,488</u>        | <u>4,172</u> | <u>7.57%</u>        | <u>3,454</u>         | <u>3,135</u> | <u>10.18%</u>       |

For the year ending June 30, 2009:

- The cost financed by users of the District's programs was \$121,016.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$503,730.
- The net cost of governmental activities was financed with \$1,788,813 in property and other taxes and \$1,550,531 in unrestricted state grants.

## Business Type Activities

Revenues for School Nutrition were \$204,199 and expenses were \$213,511. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2009, the District once again increased meal prices from the previous year to assist services to the students while taking on additional costs for groceries and supplies.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Newell-Fonda Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,431,917, a thirteen percent increase from last year's ending fund balances of \$2,152,730, primarily in the General and Capital Projects Funds.

## **Governmental Fund Highlights**

- General Fund revenues increased from \$3,941,983 in fiscal year 2008 to \$4,088,362 in fiscal year 2009. Expenditures increased from \$3,719,195 in fiscal year 2008 to \$3,869,958 in fiscal year 2009.
- The increase in revenues was due in part to an increase in District tax rates from 10.36355% in fiscal year 2008 to 11.06247% in fiscal year 2009. This increase generated almost \$208,000 in additional general fund tax revenue for the District. Fiscal year 2009 was also the first year the District received instructional support levy income surtax revenue, which increased revenue by over \$112,000. On the down side, the State of Iowa put in place a 1.5% across the board cut in state aid, which decreased revenues by approximately \$28,000 for the year.
- Expenditures increased due in part to a slight increase in staff, which caused salary and benefit cost to increase, mainly in the areas of instruction and technology. Part of this increase was due to the preschool program moving from a private facility to a public school program. Also technology costs were up due to the 1:1 laptop program which required additional staffing and equipment. Maintenance costs and transportation costs both increased slightly.
- The Management Fund revenues decreased from \$120,993 in fiscal year 2008 to \$88,474 fiscal year 2009. Management expenditures decreased from \$109,948 in fiscal year 2008 to \$98,222 in fiscal year 2009. A decrease in property tax rates in the Management Fund largely accounted for the decrease in revenue. On the expenditure side, the decrease was due in part to decrease in property and liability insurance costs as well a decrease in early retirement benefits paid out.
- Local Option Sales Tax revenues decreased from \$314,694 in fiscal year 2008 to \$302,761 in fiscal year 2009. SILO expenditures increased dramatically from \$2,563 in fiscal year 2008 to \$67,160 in fiscal year 2009. Revenues decreased mainly due to a decrease in interest income. Expenditures increased due to the beginning engineering and architectural work needed to begin our construction project. While the payments for the 1:1 Apple laptop lease program were made from the capital projects fund, these expenditures are being reported in the debt services fund.
- PPEL revenues decreased from \$70,507 in fiscal year 2008 to \$63,027 in fiscal year 2009. Expenditures increased from \$135,704 in fiscal year 2008 to \$169,089 in fiscal year 2009. Revenues were decreased mainly due to a decrease in interest income. Expenditures were increased due to the purchase of a new Suburban vehicle, as well as some initial costs to prepare for the construction projects.
- Activity Fund receipts decreased from \$201,016 in fiscal year 2008 to \$187,935 in fiscal year 2009. Expenditures also decreased from \$193,458 in fiscal year 2008 to \$182,426 in fiscal year 2009.

## **Proprietary Fund Highlights**

The Nutrition Fund revenues increased, with revenues of \$183,437 in fiscal year 2008 to \$204,200 in fiscal year 2009. Expenditures also increased from \$191,320 in fiscal year 2008 to \$212,882 in fiscal year 2009.

## **BUDGETARY HIGHLIGHTS**

The District's receipts were \$3,725 more than budgeted receipts, a variance of 0%. The most significant variance resulted from the District receiving less state aid than anticipated.

Total expenditures were \$883,856 less than budgeted overall, due primarily to the District's budget in all areas. Expenditures did not exceed the amounts budgeted in any of the four functions.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$498,322, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 13% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$111,931.

The original cost of the District's capital assets was \$1,981,580. Governmental funds account for \$1,956,067, with the remainder of \$25,513 accounted for in the Proprietary School Nutrition Fund.

| <b>Figure A-6</b><br><b>Capital Assets, net of Depreciation</b><br><b>(Expressed in Thousands)</b> |               |                             |          |                   |            |                 |                |
|--|---------------|-----------------------------|----------|-------------------|------------|-----------------|----------------|
| Governmental<br>Activities   |               | Business Type<br>Activities |          | Total<br>District |            | Total<br>Change |                |
| June 30,   |               | June 30,                    |          | June 30,          |            | June 30,        |                |
| 2009   | 2008          | 2009                        | 2008     | 2009              | 2008       | 2008-2009       |                |
| Land   | \$ 2          | 2                           | -        | -                 | 2          | 2               | 0.00%          |
| Buildings  | 202           | 219                         | -        | -                 | 202        | 219             | -7.76%         |
| Furniture and equipment  | 292           | 351                         | 3        | 3                 | 295        | 354             | -16.67%        |
| Totals   | <u>\$ 496</u> | <u>572</u>                  | <u>3</u> | <u>3</u>          | <u>499</u> | <u>575</u>      | <u>-13.22%</u> |

### Long-Term Debt

The District has five semi-annual payments of \$32,258 each remaining on the lease purchase of 165 laptop computers.

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District is starting the transition process of grade realignment. A construction project is underway that should be completed for the beginning of the 2010-2011 school year. At that time, the Fonda center will be closed and grades 4-8 will be moved to the Newell center. This change result in considerable savings of general fund dollars as duplicate services are reduced and staff can be used more efficiently. Transportation expenses between buildings should also be reduced.
- The District will also offer several employees early retirement benefits at the end of 2009-2010, resulting in additional savings in the general fund. In addition to the early retirement costs being paid out of the management fund, the goal would be to either not replace retiring staff, or to replace them with less costly employees.
- The District received the preschool grant in 2009-10, allowing preschool expenditures to be fully funded.
- In fiscal year 2010, the State of Iowa enforced a 10% across the board cut in state aid funding. However, federal American Recovery and Restoration Act (ARRA) funding helped backfill the cuts, as well as supplementing and expanding special education, Title I, and professional development programs. The District is aware of the potential "funding cliff" that could occur when these funds are gone in 2011, and is striving to manage this program wisely.

- Enrollment numbers did not change from 2008-09 to 2009-10, so funding for fiscal year 2011 should be stable. The open enrollment ratio moved from a negative net number of students to an even number of students in and out. This is a positive enrollment trend which we hope to see continue in the future.
- In fiscal year 2010, staff needs will increase due in part to ARRA special education funds available, providing additional ELL and technology services, and class size reduction in our transitional kindergarten program. These staffing needs will cause salary and benefit costs to increase. While this increase expenditures, it is a necessary change in order to provide valuable services to our students.
- In 2010-2011, the 1:1 Apple laptop initiative will be expanded to include grades 5-8. The educational benefits of this far outweigh cost factors.
- Tax valuations have increased, and further increases are anticipated as wind generators expand in our area. This trend should continue for the next four years, which is the duration of the tax abatement. This is a positive, long-term increase to our tax base.
- The State's allowable growth rate is inadequate to meet normal increases in salaries and benefits. The District will also see increased costs in IPERS due to rate increases. In addition, the State of Iowa's 10% across the board cut during fiscal year 2010 will leave a shortfall in state aid payments. However, the American Recovery and Restoration Act of 2009 will help to backfill a portion of the shortfall during fiscal 2010. Adjustments in District personnel due to future grade realignment into one building will also help counteract some of the budget shortfall.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marcia Johnson, District Secretary/Treasurer, Newell-Fonda Community School District, 205 Clark Street, Newell, Iowa 50568.

## **Basic Financial Statements**



## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

|   | Governmental<br>Activities | Business Type<br>Activities | Total            |
|---|----------------------------|-----------------------------|------------------|
| <b>Assets</b>                                   |                            |                             |                  |
| Cash and pooled investments                     | \$ 2,719,130               | 40,505                      | 2,759,635        |
| Receivables:                                    |                            |                             |                  |
| Property tax:                                   |                            |                             |                  |
| Current year                                    | 15,433                     | -                           | 15,433           |
| Succeeding year                                 | 1,746,113                  | -                           | 1,746,113        |
| Income surtax                                   | 99,443                     | -                           | 99,443           |
| Due from other governments                      | 60,814                     | -                           | 60,814           |
| Other receivables                               | 46,958                     | -                           | 46,958           |
| Accrued interest receivable                     | -                          | 400                         | 400              |
| Inventories                                     | -                          | 2,685                       | 2,685            |
| Capital assets, net of accumulated depreciation | 495,730                    | 2,592                       | 498,322          |
| <b>Total assets</b>                             | <u>5,183,621</u>           | <u>46,182</u>               | <u>5,229,803</u> |
| <b>Liabilities</b>                              |                            |                             |                  |
| Accounts payable                                | 15,905                     | -                           | 15,905           |
| Accrued payroll and benefits                    | 375,812                    | -                           | 375,812          |
| Deferred revenue:                               |                            |                             |                  |
| Succeeding year property tax                    | 1,746,113                  | -                           | 1,746,113        |
| Federal programs                                | 18,701                     | -                           | 18,701           |
| Long-term liabilities:                          |                            |                             |                  |
| Portion due within one year:                    |                            |                             |                  |
| Early retirement                                | 17,895                     | -                           | 17,895           |
| Capital lease                                   | 58,779                     | -                           | 58,779           |
| Portion due after one year:                     |                            |                             |                  |
| Early retirement                                | 14,042                     | -                           | 14,042           |
| Capital lease                                   | 92,861                     | -                           | 92,861           |
| <b>Total liabilities</b>                        | <u>2,340,108</u>           | <u>-</u>                    | <u>2,340,108</u> |
| <b>Net assets</b>                               |                            |                             |                  |
| Invested in capital assets                      | 344,090                    | 2,592                       | 346,682          |
| Restricted for:                                 |                            |                             |                  |
| Management levy                                 | 30,908                     | -                           | 30,908           |
| Physical plant and equipment levy               | 302,285                    | -                           | 302,285          |
| Capital projects                                | 1,177,374                  | -                           | 1,177,374        |
| Categorical funding                             | 24,437                     | -                           | 24,437           |
| Unrestricted                                    | 964,419                    | 43,590                      | 1,008,009        |
| <b>Total net assets</b>                         | <u>\$ 2,843,513</u>        | <u>46,182</u>               | <u>2,889,695</u> |

See notes to financial statements.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2009

|  | Program Revenues       |  | Net (Expense) Revenue<br>and Changes in Net Assets |                             |
|--|------------------------|--|--|-----------------------------|
|  | Charges for<br>Service | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Governmental<br>Activities                         | Business Type<br>Activities |
| Expenses                                       |                        |  |  | Total                       |
| <b>Functions/Programs:</b>                     |                        |  |  |                             |
| Governmental activities:                       |                        |  |  |                             |
| Instruction                                    | \$ 2,835,609           | 121,016  | 691,828  | (2,022,765)                 |
|  |                        |  |  | (2,022,765)                 |
| Support services:                              |                        |  |  |                             |
| Student services                               | 83,268                 | -  | -  | (83,268)                    |
| Instructional staff services                   | 232,049                | -  | (83,268)   | -                           |
| Administration services                        | 387,843                | -  | (232,049)  | (232,049)                   |
| Operation and maintenance of<br>plant services | 342,234                | -  | (387,843)  | -                           |
| Transportation services                        | 234,099                | 30,490   | (311,744)  | (311,744)                   |
|  |                        | -  | (234,099)  | -                           |
|  | 1,279,493              | 30,490   | (1,249,003)  | (1,249,003)                 |
| Other expenditures:                            |                        |  |  |                             |
| AEA flowthrough                                | 162,268                | -  | -  | -                           |
| Interest on long-term debt                     | 8,122                  | -  | (8,122)  | (8,122)                     |
| Facilities acquisition and construction        | 175,241                | -  | (146,833)  | (146,833)                   |
| Depreciation (unallocated)*                    | 27,215                 | -  | (27,215)   | (27,215)                    |
|  | 372,846                | -  | (182,170)  | (182,170)                   |
| Total governmental activities                  | 4,487,948              | 121,016  | (3,453,938)  | (3,453,938)                 |

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

|                                  | Program Revenues       |  | Net (Expense) Revenue<br>and Changes in Net Assets |                             |
|----------------------------------|------------------------|--|--|-----------------------------|
|                                  | Charges for<br>Service | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Governmental<br>Activities                         | Business Type<br>Activities |
| Expenses                         |                        |  |  | Total                       |
| Business type activities:        |                        |  |  |                             |
| Non-instructional programs:      |                        |  |  |                             |
| Proprietary funds                | 213,511                | 99,724   | 104,475  | (9,312)                     |
| Total                            | <u>\$ 4,701,459</u>    | <u>220,740</u>   | <u>1,017,469</u>                                   | <u>(9,312)</u>              |
|                                  |                        |  | <u>(3,453,938)</u>                                 | <u>(3,463,250)</u>          |
| <b>General Revenues:</b>         |                        |  |  |                             |
| Property tax levied for:         |                        |  |  |                             |
| General purposes                 |                        |  | \$ 1,540,216                                       | -                           |
| Management                       |                        |  | 75,066   | -                           |
| Capital outlay                   |                        |  | 45,946   | -                           |
| Income surtax                    |                        |  | 127,585  | -                           |
| Statewide sales and services tax |                        |  | 274,353  | -                           |
| Unrestricted state grants        |                        |  | 1,550,531  | -                           |
| Unrestricted investment earnings |                        |  | 23,134   | -                           |
| Other                            |                        |  | 74,925   | -                           |
| Total general revenues           |                        |  | <u>3,711,756</u>                                   | <u>-</u>                    |
| Change in net assets             |                        |  | 257,818  | (9,312)                     |
| Net assets beginning of year     |                        |  | 2,585,695  | 55,494                      |
| Net assets end of year           |                        |  | <u>\$ 2,843,513</u>                                | <u>46,182</u>               |
|                                  |                        |  |  | <u>2,889,695</u>            |

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

|  | <b>Assets</b>       |                  |                 |                                   |                  |                  |  |  |
|--|---------------------|------------------|-----------------|-----------------------------------|------------------|------------------|--|--|
|  | General             | Student Activity | Management Levy | Property Plant and Equipment Levy | Capital Projects | Total            |  |  |
| Cash and pooled investments                | \$ 1,131,277        | 110,226          | 62,703          | 298,364                           | 1,116,560        | 2,719,130        |  |  |
| Receivables:                               |                     |                  |                 |                                   |                  |                  |  |  |
| Property tax:                              |                     |                  |                 |                                   |                  |                  |  |  |
| Current year                               | 13,759              | -                | 1,039           | 635                               | -                | 15,433           |  |  |
| Succeeding year                            | 1,523,050           | -                | 75,000          | 148,063                           | -                | 1,746,113        |  |  |
| Income surtax                              | 99,443              | -                | -               | -                                 | -                | 99,443           |  |  |
| Due from other governments                 | -                   | -                | -               | -                                 | 60,814           | 60,814           |  |  |
| Other receivables                          | 42,756              | -                | 916             | 3,286                             | -                | 46,958           |  |  |
| Accrued interest receivable                | -                   | -                | -               | -                                 | -                | -                |  |  |
| <b>Total assets</b>                        | <u>\$ 2,810,285</u> | <u>110,226</u>   | <u>139,658</u>  | <u>450,348</u>                    | <u>1,177,374</u> | <u>4,687,891</u> |  |  |
| <b>Liabilities and Fund Balance</b>        |                     |                  |                 |                                   |                  |                  |  |  |
| Liabilities:                               |                     |                  |                 |                                   |                  |                  |  |  |
| Accounts payable                           | \$ 14,092           | -                | 1,813           | -                                 | -                | 15,905           |  |  |
| Accrued payroll and benefits               | 375,812             | -                | -               | -                                 | -                | 375,812          |  |  |
| Deferred revenue:                          |                     |                  |                 |                                   |                  |                  |  |  |
| Succeeding year property tax               | 1,523,050           | -                | 75,000          | 148,063                           | -                | 1,746,113        |  |  |
| Succeeding year income surtax              | 99,443              | -                | -               | -                                 | -                | 99,443           |  |  |
| Federal programs                           | 18,701              | -                | -               | -                                 | -                | 18,701           |  |  |
| Total liabilities                          | <u>2,031,098</u>    | <u>-</u>         | <u>76,813</u>   | <u>148,063</u>                    | <u>-</u>         | <u>2,255,974</u> |  |  |
| Fund balances:                             |                     |                  |                 |                                   |                  |                  |  |  |
| Reserved for capital projects              | -                   | -                | -               | -                                 | 1,177,374        | 1,177,374        |  |  |
| Reserved for categorical funding           | 24,437              | -                | -               | -                                 | -                | 24,437           |  |  |
| Unreserved                                 | 754,750             | 110,226          | 62,845          | 302,285                           | -                | 1,230,106        |  |  |
| Total fund balances                        | <u>779,187</u>      | <u>110,226</u>   | <u>62,845</u>   | <u>302,285</u>                    | <u>1,177,374</u> | <u>2,431,917</u> |  |  |
| <b>Total liabilities and fund balances</b> | <u>\$ 2,810,285</u> | <u>110,226</u>   | <u>139,658</u>  | <u>450,348</u>                    | <u>1,177,374</u> | <u>4,687,891</u> |  |  |

See notes to financial statements.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2009

|  |                     |
|--|---------------------|
| <b>Total fund balances of governmental funds (Exhibit C)</b> | <b>\$ 2,431,917</b> |
|--|---------------------|

**Amounts reported for governmental activities in the Statement of  
Net Assets are different because:**

|  |        |
|--|--------|
| Income surtax receivable at June 30, 2009 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities. | 99,443 |
|--|--------|

|  |         |
|--|---------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 495,730 |
|--|---------|

Long-term liabilities, including compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

|                  |                  |                  |
|------------------|------------------|------------------|
| Early retirement | \$ (31,937)      |                  |
| Capital lease    | <u>(151,640)</u> | <u>(183,577)</u> |

|  |                            |
|--|----------------------------|
| <b>Net assets of governmental activities (Exhibit A)</b> | <b><u>\$ 2,843,513</u></b> |
|--|----------------------------|

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2009

|   | General      | Student Activity | Management Levy | Property Plant and Equipment Levy | Capital Projects | Debt Service | Total     |
|---|--------------|------------------|-----------------|-----------------------------------|------------------|--------------|-----------|
| Revenues:                                   |              |                  |                 |                                   |                  |              |           |
| Local sources:                              |              |                  |                 |                                   |                  |              |           |
| Local tax                                   | \$ 1,652,594 | -                | 75,066          | 45,946                            | 274,353          | -            | 2,047,959 |
| Tuition                                     | 101,302      | -                | -               | -                                 | -                | -            | 101,302   |
| Other                                       | 117,975      | 187,935          | 13,386          | 17,067                            | 28,408           | -            | 364,771   |
| State sources                               | 2,035,263    | -                | 22              | 14                                | -                | -            | 2,035,299 |
| Federal sources                             | 181,228      | -                | -               | -                                 | -                | -            | 181,228   |
| Total revenues                              | 4,088,362    | 187,935          | 88,474          | 63,027                            | 302,761          | -            | 4,730,559 |
| Expenditures:                               |              |                  |                 |                                   |                  |              |           |
| Current:                                    |              |                  |                 |                                   |                  |              |           |
| Instruction                                 | 2,588,904    | 182,427          | 29,198          | 18,919                            | -                | -            | 2,819,448 |
| Support services:                           |              |                  |                 |                                   |                  |              |           |
| Student services                            | 83,268       | -                | -               | -                                 | -                | -            | 83,268    |
| Instructional staff services                | 159,266      | -                | -               | 6,372                             | -                | -            | 165,638   |
| Administration services                     | 365,214      | -                | 22,629          | -                                 | -                | -            | 387,843   |
| Operation and maintenance of plant services | 304,314      | -                | 33,720          | 4,200                             | -                | -            | 342,234   |
| Transportation services                     | 206,724      | -                | 12,675          | 31,517                            | -                | -            | 250,916   |
|   | 1,118,786    | -                | 69,024          | 42,089                            | -                | -            | 1,229,899 |
| Other expenditures:                         |              |                  |                 |                                   |                  |              |           |
| AEA flowthrough                             | 162,268      | -                | -               | -                                 | -                | -            | 162,268   |
| Long term debt:                             |              |                  |                 |                                   |                  |              |           |
| Principal                                   | -            | -                | -               | -                                 | -                | 56,394       | 56,394    |
| Interest                                    | -            | -                | -               | -                                 | -                | 8,122        | 8,122     |
| Facilities acquisition and construction     | -            | -                | -               | 108,081                           | 67,160           | -            | 175,241   |
|   | 162,268      | -                | -               | 108,081                           | 67,160           | 64,516       | 402,025   |
| Total expenditures                          | 3,869,958    | 182,427          | 98,222          | 169,089                           | 67,160           | 64,516       | 4,451,372 |

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2009

|  | General    | Student<br>Activity | Management<br>Levy | Property<br>Plant and<br>Equipment<br>Levy | Capital<br>Projects | Debt<br>Service | Total     |
|--|------------|---------------------|--------------------|--|---------------------|-----------------|-----------|
| Excess (deficiency) of revenues<br>over (under) expenditures   | 218,404    | 5,508               | (9,748)            | (106,062)                                  | 235,601             | (64,516)        | 279,187   |
| Other financing sources(uses):   |            |                     |                    |  |                     |                 |           |
| Operating transfers in   | -          | -                   | -                  | -  | -                   | 64,516          | 64,516    |
| Operating transfers (out)  | -          | -                   | -                  | -  | (64,516)            | -               | (64,516)  |
|  | -          | -                   | -                  | -  | (64,516)            | 64,516          | -         |
| Excess (deficiency) of revenues and<br>other financing sources over (under)<br>expenditures and other financing uses | 218,404    | 5,508               | (9,748)            | (106,062)                                  | 171,085             | -               | 279,187   |
| Fund balances beginning of year  | 560,783    | 104,718             | 72,593             | 408,347                                    | 1,006,289           | -               | 2,152,730 |
| Fund balances end of year  | \$ 779,187 | 110,226             | 62,845             | 302,285                                    | 1,177,374           | -               | 2,431,917 |

See notes to financial statements.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities

Year ended June 30, 2009

**Net change in fund balances - total governmental funds (Exhibit E)** \$ 279,187

**Amounts reported for governmental activities in the Statement of Activities  
 are different because:**

Income surtaxes not collected for several months after the District's  
 fiscal year ends are not considered "available" revenues in the  
 governmental funds and are included as deferred revenues. They are,  
 however, recorded as revenues in the statement of activities  
 This represents the change from FY08 to FY09.

15,207

Capital outlays to purchase or build capital assets are reported in  
 governmental funds as expenditures. However, those costs are not  
 reported in the Statement of Net Activities and are allocated over their  
 estimated useful lives as depreciation expense in the Statement of  
 Activities. Capital outlay expenditures exceeded depreciation expense  
 in the current year as follows:

|                                 |                  |          |
|---------------------------------|------------------|----------|
| Expenditures for capital assets | \$ 34,492        |          |
| Depreciation expense            | <u>(111,301)</u> | (76,809) |

Some expenses reported in the Statement of Activities do not  
 require the use of current financial resources and, therefore,  
 are not reported as expenditures in the governmental funds.

|           |               |               |
|-----------|---------------|---------------|
| Additions | (31,937)      |               |
| Payments  | <u>72,170</u> | <u>40,233</u> |

**Change in net assets of governmental activities (Exhibit B)** \$ 257,818



## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2009

|                              | <u>School<br/>Nutrition</u> |
|------------------------------|-----------------------------|
| Operating revenue:           |                             |
| Local sources:               |                             |
| Charges for services         | \$ 99,724                   |
| Operating expenses:          |                             |
| Non-instructional programs:  |                             |
| Food service operations:     |                             |
| Salaries                     | 82,823                      |
| Benefits                     | 11,569                      |
| Services                     | 3,897                       |
| Supplies                     | 114,592                     |
| Depreciation                 | 630                         |
| Total operating expenses     | <u>213,511</u>              |
| Operating (loss)             | <u>(113,787)</u>            |
| Non-operating revenues:      |                             |
| Local sources                | 1,288                       |
| State sources                | 2,653                       |
| Federal sources              | <u>100,534</u>              |
|                              | <u>104,475</u>              |
| Change in fund net assets    | (9,312)                     |
| Net assets beginning of year | <u>55,494</u>               |
| Net assets end of year       | <u>\$ 46,182</u>            |

See notes to financial statements.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2009

|   | <u>School<br/>Nutrition</u> |
|---|-----------------------------|
| Cash flows from operating activities:   |                             |
| Cash received from sale of services   | \$ 100,293                  |
| Cash payments to employees for services   | (94,392)                    |
| Cash payments to suppliers for goods or services                                      | <u>(108,100)</u>            |
| Net cash provided by (used by) operating activities                                   | <u>(102,199)</u>            |
| Cash flows from non-capital financing activities:                                     |                             |
| State grants received   | 2,653                       |
| Federal grants received   | <u>90,145</u>               |
| Net cash provided by non-capital financing activities                                 | <u>92,798</u>               |
| Cash flows from investing activities:   |                             |
| Interest on investments   | <u>1,288</u>                |
| Net increase in cash and cash equivalents   | (8,113)                     |
| Cash and cash equivalents beginning of year   | <u>48,618</u>               |
| Cash and cash equivalents end of year   | <u><u>\$ 40,505</u></u>     |
| <b>Reconciliation of operating (loss) to net cash used by operating activities:</b>   |                             |
| Operating (loss)  | (113,787)                   |
| Adjustments to reconcile operating (loss) to net cash (used by) operating activities: |                             |
| Depreciation  | 630                         |
| Commodities used  | 10,389                      |
| (Increase) in other receivables   | <u>569</u>                  |
|   | <u><u>\$ (102,199)</u></u>  |

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received federal commodities valued at \$10,389.

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2009

|                           | Private<br>Purpose<br><u>Trust Funds</u> |
|---------------------------|--|
| <b>Assets</b>             |  |
| Cash                      | \$ <u>393,661</u>                        |
| <b>Total assets</b>       | <u>393,661</u>                           |
| <b>Net assets</b>         |  |
| Reserved for scholarships | \$ <u>393,661</u>                        |

See notes to financial statements.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2009

|                              | Private<br>Purpose<br>Trust<br><u>Scholarship</u> |
|------------------------------|---|
| Additions:                   |   |
| Local sources:               |   |
| Miscellaneous                | \$ 14,056   |
| Total additions              | <u>14,056</u>                                     |
| Deductions:                  |   |
| Support services:            |   |
| Scholarships                 | <u>11,899</u>                                     |
| Total deductions             | <u>11,899</u>                                     |
| Change in net assets         | 2,157   |
| Net assets beginning of year | <u>391,504</u>                                    |
| Net assets end of year       | <u>\$ 393,661</u>                                 |

See notes to financial statements.

# NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2009

### (1) Summary of Significant Accounting Policies

Newell-Fonda Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Newell and Fonda, Iowa, and agricultural area in Buena Vista, Sac, Pocahontas and Calhoun Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Newell-Fonda Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Newell-Fonda Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buena Vista and Pocahontas Counties Assessor Conference Boards.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues. The District has elected to treat all funds as major funds for clarity of presentation.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used for scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u>                | <u>Amount</u> |
|-----------------------------------|---------------|
| Land                              | \$ 1,000      |
| Buildings                         | 10,000        |
| Improvements other than buildings | 10,000        |
| Furniture and equipment:          |               |
| School Nutrition Fund equipment   | 10,000        |
| Other furniture and equipment     | 10,000        |

Capital assets are depreciated using the straight line method over the following estimated useful lives:

| <u>Asset Class</u>                | <u>Estimated<br/>Useful Lives<br/>(In Years)</u> |
|-----------------------------------|--|
| Buildings                         | 50 years   |
| Improvements other than buildings | 20-50 years                                      |
| Furniture and equipment           | 5-15 years                                       |

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.



Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent federal programs revenues.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2009.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

#### **(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2009.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

|  | Balance<br>Beginning<br>of Year | Increases | Decreases | Balance<br>End of<br>Year |
|--|---------------------------------|-----------|-----------|---------------------------|
| <b>Governmental activities:</b>                              |                                 |           |           |                           |
| Capital assets not being depreciated:                        |                                 |           |           |                           |
| Land   | \$ 2,000                        | -         | -         | 2,000                     |
| Capital assets being depreciated:                            |                                 |           |           |                           |
| Buildings  | 1,006,000                       | -         | -         | 1,006,000                 |
| Furniture and Equipment                                      | 938,244                         | 34,492    | 24,669    | 948,067                   |
| Total capital assets being depreciated                       | 1,944,244                       | 34,492    | 24,669    | 1,954,067                 |
| Less accumulated depreciation for:                           |                                 |           |           |                           |
| Buildings  | 786,600                         | 17,800    | -         | 804,400                   |
| Furniture and Equipment                                      | 587,105                         | 93,501    | 24,669    | 655,937                   |
| Total accumulated depreciation                               | 1,373,705                       | 111,301   | 24,669    | 1,460,337                 |
| Total capital assets being depreciated, net                  | 570,539                         | (76,809)  | -         | 493,730                   |
| Governmental activities, capital assets, net                 | \$ 572,539                      | (76,809)  | -         | 495,730                   |
| <b>Business type activities:</b>                             |                                 |           |           |                           |
| Furniture and equipment                                      | \$ 25,513                       | -         | -         | 25,513                    |
| Less accumulated depreciation                                | 22,291                          | 630       | -         | 22,921                    |
| Business type activities capital assets, net                 | \$ 3,222                        | (630)     | -         | 2,592                     |
| Depreciation expense was charged to the following functions: |                                 |           |           |                           |
| Governmental activities:                                     |                                 |           |           |                           |
| Instructional support  |                                 |           |           | \$ 69,386                 |
| Transportation services                                      |                                 |           |           | 14,700                    |
| Unallocated  |                                 |           |           | 27,215                    |
|  |                                 |           |           | <u>\$ 111,301</u>         |
| Business type activities:                                    |                                 |           |           |                           |
| Food service operations                                      |                                 |           |           | <u>\$ 630</u>             |

### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$135,732, \$136,317 and \$136,407 respectively, equal to the required contributions for each year.

**(5) Risk Management**

Newell-Fonda Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(6) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$162,268 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(7) Early Retirement**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive is equal to the difference between the employee's base salaries calculated by using the current year regular salary schedule less the beginning base salary using the same schedule. Early retirement benefits paid during the year ended June 30, 2009 totaled \$27,895.

**(8) Commitment**

In June 2009, the District agreed to contracts totaling \$1,568,500 for the construction of an addition to the Newell building.

**(9) Long-Term Debt**

In fiscal year 2008, the District entered into a four year lease purchase with Apple Inc. for the acquisition of 165 laptop computers. Payments of \$32,257.93 are made every six months.

Details at June 30, 2009 are as follows:

| Year<br>Ending<br>June 30, | Interest<br>Rate | Principal        | Interest     | Total          |
|----------------------------|------------------|------------------|--------------|----------------|
| 2010                       | 4.19%            | \$ 58,779        | 5,737        | 64,516         |
| 2011                       | 4.19             | 61,264           | 3,252        | 64,516         |
| 2012                       | 4.19             | <u>31,597</u>    | <u>661</u>   | <u>32,258</u>  |
| Total                      |                  | <u>\$151,640</u> | <u>9,650</u> | <u>161,290</u> |

|                   |                  |
|-------------------|------------------|
| Beginning balance | \$217,687        |
| Payments          | <u>56,394</u>    |
| Ending balance    | <u>\$161,290</u> |

**(10) Component Unit**

The Newell-Fonda Educational Foundation was formed during the current fiscal year. Financial activities of the Foundation will be included in future reports as money begins to be collected.

## Required Supplementary Information

**NEWELL-FONDA COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

|   | Governmental<br>Fund Types | Proprietary<br>Fund Type | Total<br>Actual  | Budgeted Amounts<br>Original | Final            | Final to<br>Actual<br>Variance |
|---|----------------------------|--------------------------|------------------|------------------------------|------------------|--------------------------------|
| <b>Revenues:</b>  |                            |                          |                  |                              |                  |                                |
| Local sources   | \$ 2,514,032               | 101,012                  | 2,615,044        | 2,563,690                    | 2,563,690        | 51,354                         |
| State sources   | 2,035,299                  | 2,653                    | 2,037,952        | 2,133,845                    | 2,133,845        | (95,893)                       |
| Federal sources   | 181,228                    | 100,534                  | 281,762          | 233,500                      | 233,500          | 48,262                         |
| <b>Total revenues</b>   | <b>4,730,559</b>           | <b>204,199</b>           | <b>4,934,758</b> | <b>4,931,035</b>             | <b>4,931,035</b> | <b>3,723</b>                   |
| <b>Expenditures/Expenses:</b>   |                            |                          |                  |                              |                  |                                |
| Instruction   | 2,819,448                  | -                        | 2,819,448        | 3,210,000                    | 3,210,000        | 390,552                        |
| Support services  | 1,229,899                  | -                        | 1,229,899        | 1,373,966                    | 1,373,966        | 144,067                        |
| Non-instructional programs  | -                          | 213,511                  | 213,511          | 250,000                      | 250,000          | 36,489                         |
| Other expenditures  | 402,025                    | -                        | 402,025          | 714,775                      | 714,775          | 312,750                        |
| <b>Total expenditures/expenses</b>  | <b>4,451,372</b>           | <b>213,511</b>           | <b>4,664,883</b> | <b>5,548,741</b>             | <b>5,548,741</b> | <b>883,858</b>                 |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures/expenses</b>   | <b>279,187</b>             | <b>(9,312)</b>           | <b>269,875</b>   | <b>(617,706)</b>             | <b>(617,706)</b> | <b>887,581</b>                 |
| Other financing sources (uses)  | -                          | -                        | -                | -                            | -                | -                              |
| <b>Excess (deficiency) of revenues and other<br/>financing sources over (under) expenditures/<br/>expenses and other financing uses</b> | <b>279,187</b>             | <b>(9,312)</b>           | <b>269,875</b>   | <b>(617,706)</b>             | <b>(617,706)</b> | <b>887,581</b>                 |
| Balance beginning of year   | 2,152,730                  | 55,494                   | 2,208,224        | 2,197,155                    | 2,197,155        | 11,069                         |
| Balance end of year   | \$ 2,431,917               | 46,182                   | 2,478,099        | 1,579,449                    | 1,579,449        | 898,650                        |

See accompanying independent auditor's report.

**NEWELL-FONDA COMMUNITY SCHOOL DISTRICT**

**Note to Required Supplementary Information - Budgetary Reporting**

**Year ended June 30, 2009**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

## Other Supplementary Information

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

| Account                          | Balance<br>Beginning<br>of Year | Revenues | Expenditures | Balance<br>End of<br>Year |
|----------------------------------|---------------------------------|----------|--------------|---------------------------|
| Boys Basketball                  | 11,166                          | 4,530    | 7,293        | 8,403                     |
| Football                         | -                               | 10,856   | 10,856       | -                         |
| Baseball                         | -                               | 2,620    | 2,620        | -                         |
| Co-ed Track                      | -                               | 1,853    | 1,853        | -                         |
| Co-ed Golf                       | -                               | 1,682    | 1,682        | -                         |
| Girls Basketball                 | 7,547                           | 9,036    | 8,664        | 7,919                     |
| Volleyball                       | -                               | 2,940    | 2,940        | -                         |
| Softball                         | -                               | 5,640    | 5,640        | -                         |
| General Athletics                | 6,985                           | 16,273   | 8,912        | 14,346                    |
| Cheerleaders                     | 6,086                           | 8,491    | 5,971        | 8,606                     |
| Drill Team                       | 1,556                           | 5,033    | 3,212        | 3,377                     |
| Tech Club                        | -                               | 2,300    | 2,300        | -                         |
| National Honor Society           | 2,593                           | 14,108   | 15,337       | 1,364                     |
| All School Play                  | 2,380                           | 510      | 725          | 2,165                     |
| Speech                           | 1,304                           | 472      | 537          | 1,239                     |
| Foreign Language Club            | 478                             | -        | -            | 478                       |
| MS TA - Nielsen                  | 5,931                           | 2,669    | 5,378        | 3,222                     |
| Student Council                  | 6,132                           | 16,846   | 16,507       | 6,471                     |
| FCS                              | 2,057                           | 232      | 238          | 2,051                     |
| FFA                              | 3,725                           | 11,293   | 12,004       | 3,014                     |
| MS School Play                   | 27                              | -        | -            | 27                        |
| After Prom                       | 156                             | 5,294    | 5,334        | 116                       |
| Girls Basketball Fund Raiser     | 3,156                           | 2,905    | 2,723        | 3,338                     |
| Boys Basketball Fund Raiser      | 852                             | 2,770    | 2,960        | 662                       |
| Football Fund Raiser             | 2,179                           | 8,700    | 9,372        | 1,507                     |
| Baseball Fund Raiser             | 4,007                           | 7,623    | 6,278        | 5,352                     |
| Volleyball Fund Raiser           | 836                             | 594      | 729          | 701                       |
| Softball Fund Raiser             | 6,296                           | 9,149    | 10,322       | 5,123                     |
| Boys Track Fund Raiser           | -                               | 453      | 453          | -                         |
| Girls Track Fund Raiser          | 16                              | 791      | 781          | 26                        |
| Boys Golf Fund Raiser            | -                               | 948      | 911          | 37                        |
| Girls Golf Fund Raiser           | -                               | 359      | 359          | -                         |
| Class of 2011                    | 3,861                           | -        | -            | 3,861                     |
| Class of 2012                    | -                               | 7,422    | 4,379        | 3,043                     |
| Class of 2008                    | 533                             | 95       | 628          | -                         |
| Class of 2009                    | 1,147                           | -        | 941          | 206                       |
| Class of 2010                    | 4,203                           | 1,294    | 3,651        | 1,846                     |
| Class of 2007                    | 273                             | -        | 273          | -                         |
| Art                              | 859                             | 69       | 69           | 859                       |
| Shop                             | 1,132                           | -        | -            | 1,132                     |
| Elementary PTF Funds             | 4,209                           | 882      | 1,326        | 3,765                     |
| MS PTF Funds                     | -                               | 296      | 296          | -                         |
| State Basketball Tourney Expense | -                               | 4,272    | 2,195        | 2,077                     |
| Library                          | 425                             | 671      | 525          | 571                       |
| Postage                          | 97                              | -        | -            | 97                        |
| General Activity                 | 839                             | 1,493    | 2,332        | -                         |
| Yearbook 08                      | 5,468                           | 330      | 5,798        | -                         |
| Yearbook 09                      | -                               | 10,996   | 6,723        | 4,273                     |
| Interest                         | 6,207                           | 3,145    | 400          | 8,952                     |
| Totals                           | 104,718                         | 187,935  | 182,427      | 110,226                   |

See accompanying independent auditor's report.



## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Combining Schedule of Fiduciary Net Assets

Year ended June 30, 2009

|                           | Private Purpose<br>Trust Funds |                       | Total          |
|---------------------------|--------------------------------|-----------------------|----------------|
|                           | Cecil Rogers<br>Scholarship    | Don Anderson<br>Trust |                |
| <b>Assets</b>             |                                |                       |                |
| Cash                      | \$ 6,838                       | 386,823               | 393,661        |
|                           | <u>\$ 6,838</u>                | <u>386,823</u>        | <u>393,661</u> |
| <b>Net Assets</b>         |                                |                       |                |
| Reserved for scholarships | \$ 6,838                       | 386,823               | 393,661        |
|                           | <u>\$ 6,838</u>                | <u>386,823</u>        | <u>393,661</u> |

See accompanying independent auditor's report.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Combining Schedule of Changes in Fiduciary Net Assets

Year ended June 30, 2009

|                              | Private Purpose<br>Trust Funds |                       | Total   |
|------------------------------|--------------------------------|-----------------------|---------|
|                              | Cecil Rogers<br>Scholarship    | Don Anderson<br>Trust |         |
| Additions:                   |                                |                       |         |
| Local sources:               |                                |                       |         |
| Interest income              | \$ 402                         | 13,654                | 14,056  |
| Deductions:                  |                                |                       |         |
| Support services:            |                                |                       |         |
| Scholarships awarded         | -                              | 11,899                | 11,899  |
| Change in net assets         | 402                            | 1,755                 | 2,157   |
| Net assets beginning of year | 6,436                          | 385,068               | 391,504 |
| Net assets end of year       | \$ 6,838                       | 386,823               | 393,661 |

See accompanying independent auditor's report.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Six Years

|                                    | Modified Accrual Basis |                  |                  |                  |                  |
|------------------------------------|------------------------|------------------|------------------|------------------|------------------|
|                                    | 2009                   | 2008             | 2007             | 2006             | 2005             |
| <b>Revenues:</b>                   |                        |                  |                  |                  |                  |
| Local sources:                     |                        |                  |                  |                  |                  |
| Local tax                          | \$ 2,047,959           | 1,748,576        | 1,625,426        | 1,422,156        | 1,349,135        |
| Tuition                            | 101,302                | 107,348          | 77,647           | 67,130           | 69,206           |
| Other                              | 364,771                | 411,148          | 432,721          | 351,589          | 268,811          |
| State sources                      | 2,035,299              | 2,229,917        | 2,003,601        | 2,113,281        | 1,654,735        |
| Federal sources                    | 181,228                | 152,205          | 148,347          | 150,162          | 146,638          |
| Total                              | <u>\$ 4,730,559</u>    | <u>4,649,194</u> | <u>4,287,742</u> | <u>4,104,318</u> | <u>3,488,525</u> |
|                                    |                        |                  |                  |                  | <u>3,656,588</u> |
| <b>Expenditures:</b>               |                        |                  |                  |                  |                  |
| Instruction                        | \$ 2,819,448           | 2,962,072        | 2,647,909        | 2,617,889        | 2,488,717        |
| Support services:                  |                        |                  |                  |                  |                  |
| Student                            | 83,268                 | 96,602           | 71,298           | 74,057           | 71,142           |
| Instructional staff                | 165,638                | 141,894          | 136,196          | 118,446          | 102,411          |
| Administration                     | 387,843                | 394,494          | 442,524          | 437,461          | 404,889          |
| Operation and maintenance of plant | 342,234                | 337,281          | 338,531          | 382,039          | 388,787          |
| Transportation                     | 250,916                | 216,805          | 229,711          | 275,661          | 268,411          |
| Other expenditures:                |                        |                  |                  |                  |                  |
| Facilities acquisition             | 175,241                | 89,479           | 57,465           | 30,629           | 8,071            |
| Debt service:                      |                        |                  |                  |                  |                  |
| Principal                          | 56,394                 | 30,566           | -                | -                | -                |
| Interest                           | 8,122                  | 1,692            | -                | -                | -                |
| AEA flowthrough                    | 162,268                | 160,842          | 153,999          | 151,340          | 135,465          |
| Total                              | <u>\$ 4,451,372</u>    | <u>4,431,727</u> | <u>4,077,633</u> | <u>4,087,522</u> | <u>3,867,893</u> |
|                                    |                        |                  |                  |                  | <u>3,611,859</u> |

See accompanying independent auditor's report.

# BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

**Member:**

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To the Board of Education of  
Newell-Fonda Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Newell-Fonda Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 17, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Newell-Fonda Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Newell-Fonda Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Newell-Fonda Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Newell-Fonda Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Newell-Fonda Community School District's financial statements that is more than inconsequential will not be prevented or detected by Newell-Fonda Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Newell-Fonda Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09 and I-B-09 are material weaknesses.

#### Compliance and Other Matters


As part of obtaining reasonable assurance about whether Newell-Fonda Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Newell-Fonda Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Newell-Fonda Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Newell-Fonda Community School District and other parties to whom Newell-Fonda Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Newell-Fonda Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 17, 2010

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

I-A-09      SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

I-B-09      Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

**Part I: Findings Related to the Financial Statements:**  
**(continued)**

I-C-09 Questionable Expenditures

Comment - We noted that a volunteer football coach and volunteer softball coach were paid despite not holding contracts with the District. We also noted that two assistant coaches were paid amounts in addition to their coaching contracts. These payments were not paid through regular payroll but instead were paid as independent contractors. No 1099 was issued in the case of the softball coach even though the amount exceeded the \$600 limit set by the Internal Revenue Service for issuance of such forms.

Recommendation - We recommend that all employees be paid in accordance with contracts approved by the Board of Education and signed by the Board President. Volunteers should not be paid at all unless they have a valid contract with the District. Other coaches should not be paid in excess of their contract amount unless it is necessary to ensure compliance with Federal and Iowa minimum wage standards. Assistant coaches in all sports should be required to document required hours worked in order to ensure compliance with these standards. We recommend that the District consult with its legal counsel to determine if these payments should be returned to the District by the individuals involved.

Response - We will consult legal counsel and ensure that contracts are issued and approved prior to any individual being engaged as a coach with the expectation of being reimbursed for their services.

Conclusion - Response accepted.

I-D-09 Football Admission Receipts

Comment - We noted that the District does not issue tickets nor maintain any system of accounting for admission receipts at football games. The District has shown that it has the ability to do so as it has successfully hosted several football playoff games and properly accounted for admissions as required by the Iowa High School Athletic Association.

Recommendation - We recommend that the District implement the same ticket procedures for all home football games that it has for playoff games.

Response - We will review our procedures for these contests.

Conclusion - Response accepted.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

**Part II: Other Findings Related to Required Statutory Reporting:**

08-II-B      Certified Budget - Expenditures for the year ended June 30, 2009, did not exceed the certified budget amount in any of the four functions. However, the 2010 budget was certified after the April 15, 2009 deadline due to a publishing mix up.

Recommendation - The certified budget should have been approved in accordance with Chapter 24.9 of the Code of Iowa.

Response - Future budgets will be approved in a timely manner.

Conclusion - Response accepted.

08-II-C      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

08-II-D      Business Transactions - No business transactions between the District and District officials or employees were noted.

08-II-E      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

08-II-F      Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

08-II-G      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

08-II-H      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-H-09      Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education.

II-I-09      Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-J-09      Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.



NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued)**

II-K-09      Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

|  |               |    |                  |
|--|---------------|----|------------------|
| Beginning balance                        |               | \$ | -                |
| Statewide sales and services tax revenue |               |    | 274,353          |
| Expenditures/transfers out:              |               |    |                  |
| School infrastructure:                   |               |    |                  |
| Buildings                                | \$67,160      |    |                  |
| Lease payments                           | <u>64,516</u> |    | <u>131,676</u>   |
| Ending balance                           |               |    | <u>\$142,677</u> |